

United Stores Corporation

First Report to Stockholders

Period Ended June 30, 1930

UNITED STORES CORPORATION

44 West 18th Street

New York City

First Report to Stockholders

Period ended June 30, 1930

July 30, 1930.

To the Stockholders of

UNITED STORES CORPORATION:

There is presented herewith the first Report of United Stores Corporation to its stockholders for the period from the organization of the Corporation to June 30, 1930, comprising the following statements certified by Messrs. Price, Waterhouse & Co.:

Balance Sheet as at June 30, 1930.

Balance Sheet as at December 31, 1929, the end of the first fiscal period.

Statement of Capital and Initial Surplus from date of organization to December 31, 1929 and from then to June 30, 1930.

Statement of Deficit from date of organization to December 31, 1929 and from then to June 30, 1930.

There are also appended for your information the balance sheets of Tobacco Products Corporation and United Cigar Stores Company of America as at December 31, 1929 giving effect as at that date to the reduction of capital of both these companies as approved by their stockholders at meetings on June 25, 1930 and May 28, 1930, respectively. These balance sheets also give effect to revaluations of assets subsequently effected by the directors of the companies as indicated thereon. With the balance sheets of these two companies are also reprinted, from their annual reports for 1929, their statements of profit and loss and surplus for that year.

By order of the Board of Directors,

FREDERICK K. MORROW,
President.

UNITED STORES CORPORATION

BALANCE SHEET—JUNE 30, 1930

ASSETS

CASH \$ 23,715.88

INVESTMENTS:

United Cigar Stores Company of America, at that company's
approximate book value per share on December 31, 1929:

Preferred—58,046 shares (30% of total) at \$100 each \$ 5,804,600.00

Common 629,236 shares

Dividend certificates for Common stock.. 27,661.5 shares

Together 656,897.5 shares

(12.6% of total) at \$3.50 each..... 2,299,141.25

Note—75.1% of United Cigar Stores Company common stock
is owned by Tobacco Products Corporation.

Tobacco Products Corporation, at that company's approximate
book value per share on December 31, 1929:

Class A —1,244,005 shares (55% of total)

Common —1,989,719 shares (60% of total)

Together —3,233,724 shares (58% of total) at \$9 each.... 29,103,516.00

The Union Tobacco Company, at nominal values:

Class A—25,295 shares at \$1 each 25,295.00

Common— 8,130 shares at 50 cents each..... 4,065.00

37,236,617.25

\$37,260,333.13

UNITED STORES CORPORATION

BALANCE SHEET—JUNE 30, 1930

LIABILITIES

NOTE PAYABLE TO BANK ON DEMAND..... \$ 500,000.00
Secured by 6,000 shares United Cigar Stores Company of
America Preferred stock and 35,000 shares Tobacco Products
Corporation Class A stock

ACCOUNTS PAYABLE:

For organization expenses, etc..... 153,708.96

CAPITAL AND INITIAL SURPLUS, per statement attached \$36,641,026.04

Represented by:

\$6 Cumulative Convertible Preferred Stock, without par
value, preferred over Class A and Common as to \$115 on
dissolution:

Authorized—1,000,000 shares

Issued—351,910 shares*

Note—Preferred dividends have accumulated from August 15,
1929.

Class A Stock without par value, convertible, preferred over
Common as to \$4.20 per annum, non-cumulative, and as to
\$75 on dissolution:

Authorized—5,000,000 shares

Issued—912,507-224/420 shares*

Note—In lieu of other compensation, options running to August
1, 1934 have been granted the Corporation's principal execu-
tives to purchase 125,000 shares Class A Stock (including
Warrants or their equivalent in Common Stock) at \$20 per
share.

Common Stock, without par value:

Authorized—15,000,000 shares including 3,688,908 shares
reserved for conversion of Preferred and Class A Stocks

Issued and held for issue—502,297-84/840 shares* including
456,253-644/840 shares reserved for issue against War-
rants attached to Class A Stock exchangeable on or after
January 1, 1931

DEFICIT, per statement attached..... 34,401.87
36,606,624.17

* Including shares reserved against outstanding certificates of
deposit and scrip.

\$37,260,333.13

UNITED STORES CORPORATION

BALANCE SHEET—DECEMBER 31, 1929

ASSETS

CASH \$ 47,313.87

ACCOUNT RECEIVABLE:

Refund receivable on listing fee..... 10,080.00

INVESTMENTS:

United Cigar Stores Company of America, at that company's approximate book value per share on December 31, 1929:

Preferred—58,046 shares (30% of total) at \$100 each \$ 5,804,600.00

Common 623,073 shares

Dividend certificates for Common stock.. 24,288.4 shares

Together 647,361.4 shares
(12.3% of total) at \$3.50 each..... 2,265,764.90

Note—75.1% of United Cigar Stores Company common stock is owned by Tobacco Products Corporation.

Tobacco Products Corporation, at that company's approximate book value per share on December 31, 1929:

Class A —1,235,254 shares (55% of total)

Common —1,951,179 shares (59% of total)

Together —3,186,433 shares (58% of total) at \$9 each..... 28,677,897.00

The Union Tobacco Company, at nominal values:

Class A — 25,295 shares at \$1 each 25,295.00

Common—133,730 shares at 50 cents each..... 66,865.00

36,840,421.90

\$36,897,815.77

UNITED STORES CORPORATION

BALANCE SHEET—DECEMBER 31, 1929

LIABILITIES

NOTE PAYABLE TO BANK, due March 6, 1930..... \$ 150,000.00
Secured by 5,000 shares United Cigar Stores Company of
America Preferred stock and 25,000 shares Tobacco Products
Corporation Class A stock

ACCOUNTS PAYABLE:

For organization expenses, etc..... 297,048.28

CAPITAL AND INITIAL SURPLUS, per statement attached \$36,472,724.34

Represented by:

\$6 Cumulative Convertible Preferred Stock, without par
value, preferred over Class A and Common as to \$115 on
dissolution:

Authorized—1,000,000 shares

Issued—357,409-26/100 shares*

Note—Preferred dividends have accumulated from August 15,
1929.

Class A Stock without par value, convertible, preferred over
Common as to \$4.20 per annum, non-cumulative, and as to
\$75 on dissolution:

Authorized—5,000,000 shares

Issued—896,642-123/420 shares*

Note—In lieu of other compensation, options running to August
1, 1934 have been granted to the Corporation's principal ex-
ecutives to purchase 125,000 shares Class A Stock (including
Warrants or their equivalent in Common Stock) at \$20 per
share.

Common Stock, without par value:

Authorized—15,000,000 shares, including 3,671,241 shares
reserved for conversion of Preferred and Class A Stocks

Issued and held for issue—494,364-403/840 shares* includ-
ing 448,321-123/840 shares reserved for issue against
Warrants attached to Class A Stock exchangeable on or
after January 1, 1931

DEFICIT, per statement attached..... 21,956.85

36,450,767.49

* Including shares reserved against outstanding certificates of
deposit and scrip.

\$36,897,815.77

UNITED STORES CORPORATION

STATEMENT OF CAPITAL AND INITIAL SURPLUS

FROM ORGANIZATION OF THE CORPORATION,
JUNE 8, 1929, TO DECEMBER 31, 1929
AND FROM THEN TO JUNE 30, 1930

Total value assigned by the directors to securities acquired by the Corporation in exchange for its capital stocks issued and held for issue therefor per balance sheet at December 31, 1929	\$36,842,621.90
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<i>Add</i> —Increase over 50 cents per share realized upon sale of 4,400 shares Common stock of The Union Tobacco Company	1,034.00
	<hr/> \$36,843,655.90

Deduct:

Cash paid to depositors of United Cigar Stores Company of America Preferred and Common stocks as adjustment in respect of dividends.....	\$ 38,546.75
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Organization expenses paid and incurred including organization tax, stock exchange listing fees, original issue taxes, depositary's fees, printing stock certificates, legal expenses, etc.	332,384.81
	<hr/> 370,931.56

Capital and initial surplus, per balance sheet, December 31, 1929...	\$36,472,724.34
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Add:

Total value assigned by the directors to securities acquired by the Corporation during the six months ending June 30, 1930 in exchange for its capital stocks issued and held for issue therefor.....	458,995.35
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Proceeds of scrip sold for cash.....	24.10
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Increase over 50 cents per share realized upon sale of 125,600 shares Common stock of The Union Tobacco Company..	10,624.50
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	<hr/> \$36,942,368.29
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Deduct:

Additional organization expenses incurred	\$ 9,238.93
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Cost of 7,600 shares \$6 Cumulative Convertible Preferred Stock purchased and retired.....	292,103.32
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	<hr/> 301,342.25
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Capital and initial surplus, per balance sheet, June 30, 1930.....	<hr/> <hr/> \$36,641,026.04
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UNITED STORES CORPORATION

STATEMENT OF DEFICIT

FROM ORGANIZATION OF THE CORPORATION,

JUNE 8, 1929, TO DECEMBER 31, 1929

AND FROM THEN TO JUNE 30, 1930

Period June 8, 1929 to December 31, 1929:

Expenses:

Transfer Agent's fees.....	\$15,000.00
Registrar's fees	3,918.51
Other corporate expenses.....	2,033.96
Interest paid on loans.....	1,087.60
	<hr/>
	\$22,040.07

Income:

Interest received on bank balances.....	<hr/> 83.22
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Deficit, per balance sheet, December 31, 1929.....	\$21,956.85
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Period January 1, 1930 to June 30, 1930:

Expenses:

Transfer Agent's fees.....	\$ 5,833.30
Registrar's fees	3,086.50
Other corporate expenses.....	9,818.71
Interest paid on loans.....	5,727.11
	<hr/>
	\$24,465.62

Income:

Distributions received on dividend certificates for United Cigar Stores Company of America common stock.....	\$11,558.33
Interest on bank balances.....	462.27
	<hr/>
	\$12,020.60

12,445.02

Deficit, per balance sheet, June 30, 1930	<hr/> <hr/> \$34,401.87
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UNITED STORES CORPORATION

AUDITORS' CERTIFICATE

We have examined the books and accounts of United Stores Corporation for the period from date of incorporation, June 8, 1929, to June 30, 1930 and we certify that, in our opinion, the attached balance sheets as at December 31, 1929 and June 30, 1930 and the statements of the capital and initial surplus and of the deficit have been correctly prepared therefrom and fairly set forth the financial position of the company at December 31, 1929 and June 30, 1930 and the results of operations for the periods.

PRICE, WATERHOUSE & CO.

56 Pine Street,
New York.
July 30, 1930.

TOBACCO PRODUCTS CORPORATION

STATEMENTS OF PROFIT AND LOSS AND OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1929

PROFIT AND LOSS

Lease rental, American Tobacco Company.....	\$2,500,000.00	
Dividends received in cash on United Cigar Stores Company of America Common stock and on dividend certificates	3,037,944.36	
Interest received	175,809.95	
Miscellaneous income	1,128.82	
	<hr/>	\$ 5,714,883.13
<i>Deduct:</i>		
Administrative expenses	\$ 177,895.12	
Interest paid	276,554.45	
Loss on sale of United Cigar Stores Company of America Common stock, representing excess of average share value over proceeds of sales in 1929.....	519,552.90	
Sundry charges	19,244.93	
	<hr/>	993,247.40
Profit before provision for Federal income tax		\$ 4,721,635.73
<i>Deduct</i> —Estimated provision for Federal income tax		147,000.00
		<hr/>
Net profit for the year.....		<u>\$4,574,635.73</u>

SURPLUS

Balance December 31, 1928, per annual report for that year.....		\$ 8,486,701.16
Net profit for year 1929 as above.....		4,574,635.73
		<hr/>
		\$13,061,336.89
<i>Deduct</i> —Dividends paid in cash:		
On Class A Stock, three quarterly dividends at 1¾%	\$2,352,437.85	
Less—Dividends on directors' shares.....	42.00	
	<hr/>	\$2,352,395.85
On Common Stock, three quarterly dividends at 1¾%	3,461,427.20	
	<hr/>	5,813,823.05
Balance		<hr/>
		\$ 7,247,513.84
<i>Deduct:</i>		
Reduction of investment in Common stock of United Cigar Stores Company of America to basis of cost plus par value of stock dividends received, less average share value at date of sale of stock sold from time to time	\$4,018,678.02	
Reduction of investment in other companies to estimated re- alizable value or to book value of net tangible assets	1,198,399.41	
Other charges	1,066.61	
	<hr/>	5,218,144.04
Surplus December 31, 1929 per balance sheet		<u>\$ 2,029,369.80</u>

TOBACCO PRODUCTS CORPORATION

BALANCE SHEET—DECEMBER 31, 1929

(Giving effect as at that date to the recapitalization approved by the stockholders at the annual meeting on June 25, 1930 and to the revaluation of assets as indicated.)

ASSETS

CURRENT ASSETS:

Cash in banks.....	\$ 245,703.57	
Accounts receivable.....	6.80	
	<hr/>	\$ 245,710.37

INVESTMENTS:

United Cigar Stores Company of America common stock, at that company's approximate book value per share on December 31, 1929:

3,882,060½ shares, at \$3.50 per share.....	\$13,587,211.75	
82,250 shares represented by dividend certificates repurchased, at \$3.50 per share.....	287,875.00	
	<hr/>	13,875,086.75

Securities of other companies, at estimated realizable value or at book value of issuing company's net tangible assets... \$ 114,211.89

Company's Class A stock (directors' qualifying shares) at cost	520.00	
	<hr/>	114,731.89

AMERICAN TOBACCO COMPANY NINETY-NINE-YEAR LEASE (\$2,500,000 annually) maturing November 1, 2022, at commutation value per the lease..... 36,791,118.47

\$51,026,647.48

TOBACCO PRODUCTS CORPORATION

BALANCE SHEET—DECEMBER 31, 1929

(Giving effect as at that date to the recapitalization approved by the stockholders at the annual meeting on June 25, 1930 and to the revaluation of assets as indicated.)

LIABILITIES

CURRENT LIABILITIES:

Demand loan, Guaranty Trust Company of New York, secured by 307,027 shares United Cigar Stores Company of America common stock and all dividend certificate holdings	\$ 1,150,000.00	
Accrued interest payable.....	1,341.71	
Sundry accounts payable.....	25,892.70	
Reserve for Federal income tax.....	174,780.80	
	<hr/>	\$ 1,352,015.21

CAPITAL STOCK AND CAPITAL SURPLUS:

Class A Stock, \$1.40 per annum non-cumulative, without par value:		
Authorized—2,467,700 shares		
Issued —2,240,462½ shares, at \$5 each.....	\$11,202,312.50	
Common Stock, without par value:		
Authorized—5,000,000 shares		
Issued —3,296,652½ shares, at \$5 each.....	16,483,262.50	
Capital Surplus	19,959,687.47	
	<hr/>	47,645,262.47
SURPLUS, per statement attached.....		2,029,369.80
		<hr/>
		<u>\$51,026,647.48</u>

UNITED CIGAR STORES COMPANY OF AMERICA
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1929

(Giving effect as at that date to the recapitalization approved by the stockholders at the annual meeting on May 28, 1930 and to reduction of goodwill and leaseholds to \$1)

ASSETS

CURRENT ASSETS:

Cash in banks, on hand and in transit.....	\$ 4,826,514.76	
Call loans	1,700,000.00	
Marketable securities at cost.....	1,526,645.61	
(Market value December 31, 1929—\$1,777,000.00)		
Notes receivable	\$ 111,853.70	
Accounts receivable	2,289,719.72	
	<u>\$2,401,573.42</u>	
Less—Reserve for bad debts.....	42,984.45	2,358,588.97
Inventories at cost, less contingent reserve for unsalable merchandise	12,135,399.65	
		<u>\$22,547,148.99</u>

INVESTMENTS AND ADVANCES:

Securities of other companies.....	\$ 6,920,617.21	
Advances to other companies.....	2,855,038.73	
Mortgages receivable	3,098,338.00	
Cash and securities held for employees' pension fund	219,051.27	
Debenture sinking fund cash and deposits for retirement of mortgages payable	55,653.19	
		<u>13,148,698.40</u>

REAL ESTATE:

Land and buildings owned in fee, at cost, less reserve for depreciation of buildings and reserve for reduction to values at June 30, 1929 as appraised by company's real estate staff	\$29,728,263.08	
Improvements to leaseholds, less amortization	7,300,153.04	
Store improvements and building construction in progress	505,550.23	
		<u>37,533,966.35</u>

FURNITURE, FIXTURES AND EQUIPMENT.....	\$ 7,354,607.58	
Less—Reserve for depreciation.....	2,917,183.41	
		<u>4,437,424.17</u>

DEFERRED CHARGES:

Prepaid insurance, taxes, etc.....	\$ 404,748.68	
Rents paid in advance.....	333,310.59	
Unamortized lease bonuses and commissions.....	1,047,384.47	
Unamortized discount on funded debt.....	543,676.20	
		<u>2,329,119.94</u>
GOODWILL AND LEASEHOLDS		1.00

\$79,996,358.85

UNITED CIGAR STORES COMPANY OF AMERICA
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1929

(Giving effect as at that date to the recapitalization approved by the stockholders at the annual meeting on May 28, 1930 and to reduction of goodwill and leaseholds to \$1)

LIABILITIES

CURRENT LIABILITIES:

Notes payable to trade and real estate creditors.....	\$ 1,006,134.71	
Accounts payable and sundry accruals.....	7,345,413.95	
Accrued interest on mortgages and debentures.....	447,271.36	
Provision for loss on guaranteed obligations.....	371,868.38	
Reserve for outstanding premium certificates.....	1,199,744.36	
Reserve for Federal income tax.....	100,000.00	
	<hr/>	\$10,470,432.76

DEFERRED LIABILITIES AND RESERVES:

Advance rentals and tenants' security deposits.....	\$ 914,559.14	
Deferred discounts and participations of others in respect of mortgages receivable	152,188.26	
Reserves for building construction on leaseholds.....	155,327.09	
Reserve for employees' pension fund.....	219,051.27	
Reserve for contingencies.....	1,712,027.76	
	<hr/>	3,153,153.52

MINORITY INTEREST IN COMMON STOCK OF WHELAN DRUG CO., INC. AT STATED VALUE

5,000.00

FUNDED AND MORTGAGE DEBT:

Twenty-year 5½% sinking fund gold debentures due 1949:		
Issued	\$10,000,000.00	
Less—Retired through sinking fund and in treasury	224,500.00	
	<hr/>	\$ 9,775,500.00
Ten-year 6% convertible sinking fund gold notes due 1938, Whelan Drug Co., Inc.....	\$ 2,000,000.00	
Less—In treasury of United Cigar Stores Company	100,000.00	
	<hr/>	1,900,000.00
Real estate mortgages.....	16,476,905.80	
	<hr/>	28,152,405.80

CAPITAL STOCK AND CAPITAL SURPLUS:

Preferred Stock 6% cumulative:		
Authorized—500,000 shares of \$100 par value		
Issued—200,000 shares	\$20,000,000.00	
Less—8,000 shares retired through purchase fund and in treasury	800,000.00	
	<hr/>	19,200,000.00
Common Stock:		
Authorized—6,000,000 shares without par value		
Issued—5,422,804.437 shares at \$1 each.....	\$ 5,422,804.44	
Less—146,388.5 shares in treasury.....	146,388.50	
	<hr/>	\$ 5,276,415.94

CAPITAL SURPLUS

13,047,122.43

18,323,538.37

SURPLUS, per statement attached.....

691,828.40

\$79,996,358.85

UNITED CIGAR STORES COMPANY OF AMERICA
and Subsidiary Companies
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR THE YEAR 1929

	Six months ending June 30, 1929	Six months ending December 31, 1929	Year 1929
STORE OPERATIONS:			
Sales	\$40,416,286.91	\$44,262,270.72	\$84,678,557.63
Cost of merchandise sold.....	28,641,931.18	32,408,738.22	61,050,669.40
Gross profit	\$11,774,355.73	\$11,853,532.50	\$23,627,888.23
Other store operating income.....	2,032,713.01	2,059,534.32	4,092,247.33
Gross profit and other store operating income	\$13,807,068.74	\$13,913,066.82	\$27,720,135.56
Store operating and depot expenses.....	\$13,067,475.19	\$12,540,406.51	\$25,607,881.70
Administrative and general expenses.....	1,888,386.31	1,647,991.86	3,536,378.17
	\$14,955,861.50	\$14,188,398.37	\$29,144,259.87
Result of store operations (<i>Loss</i>).....	\$ 1,148,792.76	\$ 275,331.55	\$ 1,424,124.31
PROPORTION OF LOSS OF HAPPINESS CANDY STORES, INC. AND ITS SUBSIDIARY COMPANIES APPLICABLE TO UNITED'S STOCKHOLDINGS IN THAT COMPANY			
	\$ 123,194.92	\$ 62,270.46	\$ 185,465.38
REAL ESTATE AND FINANCIAL OPERATIONS:			
Profit on operation of fee and leasehold prop- erties before charging interest on mort- gages and debentures.....	\$ 1,116,117.99	\$ 1,215,521.96	\$ 2,331,639.95
Interest on mortgages, call loans, bank bal- ances, etc.	297,640.50	235,053.89	532,694.39
Profit on sale of securities, on basis of cost..	170,828.88	2,811,300.77	2,982,129.65
Profit on mortgages sold or matured.....	27,418.88	28,820.31	56,239.19
Net profit on sales of leaseholds and real estate (as to the last six months' period based on company's appraised values of real estate)	7,999.05	55,947.93	63,946.98
Dividends received on securities.....	365,537.08	201,706.34	567,243.42
Miscellaneous income	61,493.14	61,493.14
	\$ 1,985,542.38	\$ 4,609,844.34	\$ 6,595,386.72
Less:			
Interest on real estate mortgages.....	\$ 509,693.18	\$ 475,291.04	\$ 984,984.22
Interest on debentures and gold notes..	312,882.95	331,893.75	644,776.70
Amortization of discount on twenty-year debentures, less profit on debentures retired through sinking fund.....	9,555.50	215.02	9,340.48
Interest on bank loans, tenants' deposits, etc.	115,146.18	101,173.24	216,319.42
Appropriated to reserve for contingen- cies	149,851.40	149,851.40
Sundry charges	18,328.09	15,566.40	33,894.49
	\$ 965,605.90	\$ 1,073,560.81	\$ 2,039,166.71
Result of real estate and financial operations	\$ 1,019,936.48	\$ 3,536,283.53	\$ 4,556,220.01
Combined result before provision for Federal income tax.....	\$ 252,051.20	\$ 3,198,681.52	\$ 2,946,630.32
Provision for Federal income tax.....	100,000.00	100,000.00
Net loss or profit.....	\$ 252,051.20	\$ 3,098,681.52	\$ 2,846,630.32

UNITED CIGAR STORES COMPANY OF AMERICA
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SURPLUS
FOR THE SIX MONTHS ENDING DECEMBER 31, 1929

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Deficit, June 30, 1929, per Special Report to Stockholders, dated January 9, 1930.....	\$ 776,286.01	
Net profit for six months ending December 31, 1929, per Statement attached	3,098,681.52	
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Balance, surplus		\$2,322,395.51
Add—Discount on 6% preferred stock retired through purchase fund....		13,850.00
		<hr/>
		\$2,336,245.51
Less—Dividends paid:		
On 6% preferred stock, August 1, 1929.....	\$ 288,900.00	
On common stock, October 1, 1929.....	1,355,517.11	1,644,417.11
		<hr/>
Surplus December 31, 1929, per balance sheet	\$ 691,828.40	<hr/> <hr/>

